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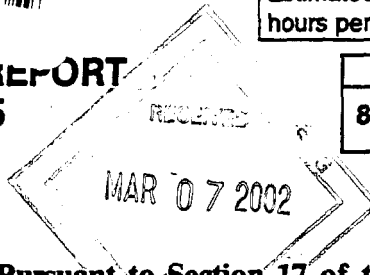


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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-48326



FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/2001 AND ENDING 12/31/2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

MOLONEY SECURITIES CO., INC.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

12166 OLD BIG BEND ROAD STE. 200

(No. and Street)

ST. LOUIS

MISSOURI

63122

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

E. JOHN MOLONEY (314) 909-0600

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MORTLAND & CO., P.C.

(Name — if individual, state last, first, middle name)

225 S. MERAMEC

CLAYTON

MISSOURI

63105

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

3/12/02
EJ

OATH OR AFFIRMATION

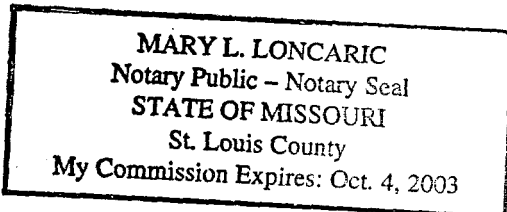
I, E. JOHN MOLONEY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MOLONEY SECURITIES CO., INC., as of DECEMBER 31, 192001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

E John Moloney
Signature

PRESIDENT

Title

Mary L. Loncaric
Notary Public



This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal control.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



Independent Auditors' Report

To the Board of Directors
Moloney Securities Co., Inc.
St. Louis, Missouri

We have audited the accompanying statement of financial condition of Moloney Securities Co., Inc. as of December 31, 2001, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moloney Securities Co., Inc. at December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mortland & Co., P.C.
St. Louis, Missouri
February 21, 2002

MOLONEY SECURITIES CO., INC.
Statement of Financial Condition
December 31, 2001

ASSETS

Assets

Cash and cash equivalents	\$ 57,838
Commissions receivable	207,322
Accounts receivable	186,000
Clearing deposit	15,000
Deposits	3,617
Prepaid expenses	10,951
Total assets	<u>\$ 480,728</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Accounts payable	<u>167,029</u>
Total liabilities	<u>167,029</u>

Stockholders' equity

Common stock, without par value. Authorized 30,000 shares; issued and outstanding 756 shares at stated value.	230,000
Paid-in-capital	199,909
Deficit	<u>(116,210)</u>
Total stockholders' equity	<u>313,699</u>
Total liabilities and stockholders' equity	<u>\$ 480,728</u>

The accompanying notes are an integral part of these financial statements.

MOLONEY SECURITIES CO., INC.
Statement of Income
Year Ended December 31, 2001

Revenues

Commissions	\$ 3,413,028
Interest	96,090
Other	24,218
Total revenues	<u>3,533,336</u>

Expenses

Salaries	237,596
Commission expense	2,182,183
Clearing expense	474,358
Office rental	125,171
Professional fees	21,050
Other operating expenses	490,444
Total expenses	<u>3,530,802</u>
Net income	<u>\$ 2,534</u>

The accompanying notes are an integral part of these financial statements.

MOLONEY SECURITIES CO., INC.
Statement of Changes in Stockholders' Equity
Year Ended December 31, 2001

	<u>Common Stock</u>		<u>Paid-in</u>		<u>Deficit</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>		
Balance, January 1, 2001	706	\$ 180,000	\$ 199,909	\$	(96,856)
Distribution to shareholders	-	-	-		(21,888)
Additional investment by shareholder	50	50,000	-		-
Net income	-	-	-		2,534
	<hr/>	<hr/>	<hr/>		<hr/>
Balance, December 31, 2001	<u>756</u>	<u>\$ 230,000</u>	<u>\$ 199,909</u>	<u>\$</u>	<u>(116,210)</u>

The accompanying notes are an integral part of these financial statements.

MOLONEY SECURITIES CO., INC.
Statement of Cash Flows
Year Ended December 31, 2001

Cash flows from operating activities

Net income	\$ 2,534
Adjustments to reconcile net income to net cash used by operating activities:	
Increase in accounts receivable	(15,868)
Increase in commissions receivable	(72,374)
Increase in accounts payable	53,071
Increase in prepaid expenses	(10,951)
Increase in deposits	(115)
Net cash used by operating activities	<u>(43,703)</u>

Cash flows from financing activities

Investment by shareholder	50,000
Distribution to shareholders	<u>(21,888)</u>
Net cash provided by financing activities	<u>28,112</u>
Net decrease in cash	(15,591)
Cash, beginning of year	<u>73,429</u>
Cash, end of year	<u>\$ 57,838</u>

The accompanying notes are an integral part of these financial statements.

MOLONEY SECURITIES CO., INC.
Notes to Financial Statements
December 31, 2001

(1) Description of Business

The Company is a registered broker-dealer in securities that introduces its customers to another broker-dealer who carries such accounts on a fully disclosed basis. The Company promptly forwards all funds and securities received in connection with its activities as a broker-dealer and does not otherwise hold funds or securities for, or owe money or securities to, customers and does not otherwise carry proprietary or customer accounts.

The Company was incorporated May 3, 1995 but did not begin operations until July 1, 1995.

(2) Accounting Policies Followed by the Company

Security transactions and related commission revenue and expenses are recorded on a settlement date basis, generally the third day following the transaction date. Although generally accepted accounting principles require these revenues and expenses to be recorded on a trade date basis, the effect on the financial statements is considered immaterial.

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The preparation of financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company places its cash in what it believes to be credit-worthy financial institutions. However, cash balances may exceed FDIC insured levels at various times during the year.

Substantially all of the Company's financial assets and liabilities, as well as financial instruments with off-balance sheet risk, are carried at market or fair values or are carried at amounts that approximate fair value because of their short-term nature. Fair value is estimated at a specific point in time, based on relevant market information or the value of the underlying financial instrument. These estimates do not generally reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument.

MOLONEY SECURITIES CO., INC.
Notes to Financial Statements
December 31, 2001

(3) Income Taxes

As of July 1, 1995, the Company, with the consent of its initial shareholder, elected under the Internal Revenue Code to become an S Corporation. In lieu of corporation income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for Federal income taxes has been included in the financial statements.

(4) Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2001, the Company had net capital and net capital requirements of approximately \$113,131 and \$50,000 respectively. The Company's net capital ratio was 1.48 to 1.

(5) Reserve Requirements

The Company is exempt from the reserve requirements of the Securities Exchange Act of 1934, per section (K)(2)(B) of Rule 15c3-3.

(6) Leases

The Company occupies its St. Louis premises under an amended five-year lease expiring April 30, 2005, which provides for escalating lease payments. Financial Accounting Standards Board interpretations require that escalating lease payments be amortized over the lease term using the straight-line method. The lease term for the Kansas premises expires May 31, 2004. Minimum future rental payments for office space and equipment are approximately \$773,019 to be paid over the succeeding five years as follows:

Year 1	\$229,368
Year 2	235,441
Year 3	232,297
Year 4	75,913

Minimum future rental payments, reflected above, have not been reduced by future sublease rentals due from certain officers, directors and independent contractors of the Company under cancelable subleases. The sublease rental amount for the year ended December 31, 2001 was approximately \$103,551.

MOLONEY SECURITIES CO., INC.
Notes to Financial Statements
December 31, 2001

Rental expense for the year ended December 31, 2001 was approximately \$125,000 which is net of sublease rentals from certain officers, directors and independent contractors of the Company.

(7) Fair value of Financial Instruments

The estimated fair values of the Company's financial instruments, which are included in the Statement of Financial Condition, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 57,838	57,838

(8) Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Company's client activities involve the execution and settlement of various client securities transactions. These activities may expose the Company to off-balance sheet risk. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

(9) Investment in Related Company

MOSECO Asset Management LLC was organized in May 1999 to perform investment advisory services. Member interests are 98% Moloney Securities Co., Inc., and 2% Edward J. Moloney.

Income and losses of the LLC are consolidated with those of the Company. Intercompany balances and transactions have been eliminated in consolidation.

For the year ending December 31, 2001 the LLC's profit allocable to the minority interest is immaterial at approximately \$465.

SUPPLEMENTARY SCHEDULES

MOLONEY SECURITIES CO., INC.
Computation of Aggregate Indebtedness and
Net Capital in Accordance with Rule 15c3-1
Under the Securities Exchange Act of 1934
As of December 31, 2001

Aggregate indebtedness

Accounts payable	\$ 167,029
Total aggregate indebtedness	\$ <u>167,029</u>

Net capital

Stockholders' equity	\$ <u>313,699</u>
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Deductions:

Accounts receivable	186,000
Deposits	3,617
Prepaid expenses	<u>10,951</u>
Total deductions	<u>200,568</u>

Net capital	113,131
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Net capital required	<u>50,000</u>
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Capital in excess of requirements	\$ <u>63,131</u>
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Ratio of aggregate indebtedness to net capital	<u>1.48 to 1</u>
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MOLONEY SECURITIES CO., INC.
Reconciliation of Computation of Net Capital
with that of the Registrant as filed
in Part II of Form X-17A-5
December 31, 2001

Aggregate indebtedness

Aggregate indebtedness as reported by registrant in Part II of Form X-17A-5 for December 31, 2001	\$ 168,403
Reconciling item:	
Decrease in accounts payable	<u>(1,374)</u>
Aggregate indebtedness as computed in this report	<u>\$ 167,029</u>

Net capital

Net capital as reported by registrant in Part II of Form X-17A-5 for December 31, 2001	\$ 105,143
Reconciliation items:	
Increase in non-allowable assets	(11,445)
Increase in income	30,660
Increase in expenses	<u>(11,227)</u>
	<u>\$ 113,131</u>
Net capital as computed in this report	<u>\$ 113,131</u>

ACCOUNTANTS' REPORT ON INTERNAL CONTROL



To the Board of Directors
Moloney Securities Co., Inc.
St. Louis, Missouri

In planning and performing our audit of the financial statements of Moloney Securities Co., Inc. for the year ended December 31, 2001, we considered its internal control structure including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and reserve required by Rule 15c3-c(e); (2) in making the quarterly securities examination, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, error or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that error or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of Moloney Securities Co., Inc. may occur and not be detected within a timely period. The Company's plan of organization did not include adequate separation of duties related to daily cash receipt and cash disbursement activities. Appropriate supervisory review procedures were not instituted to provide reasonable assurance that adopted policies and prescribed procedures were adhered to. These conditions generally did not inhibit the Company from promptly completing securities transactions or promptly discharging its responsibilities to customers. These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our examination of the December 31, 2001 financial statements and this report does not affect our report on these financial statements dated February 21, 2002.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "Mortland & Co.", is positioned in the lower right area of the page.

Mortland & Co., P.C.
St. Louis, Missouri
February 21, 2002

MOLONEY SECURITIES CO., INC.

Financial Statements and Supplemental Schedules

December 31, 2001

